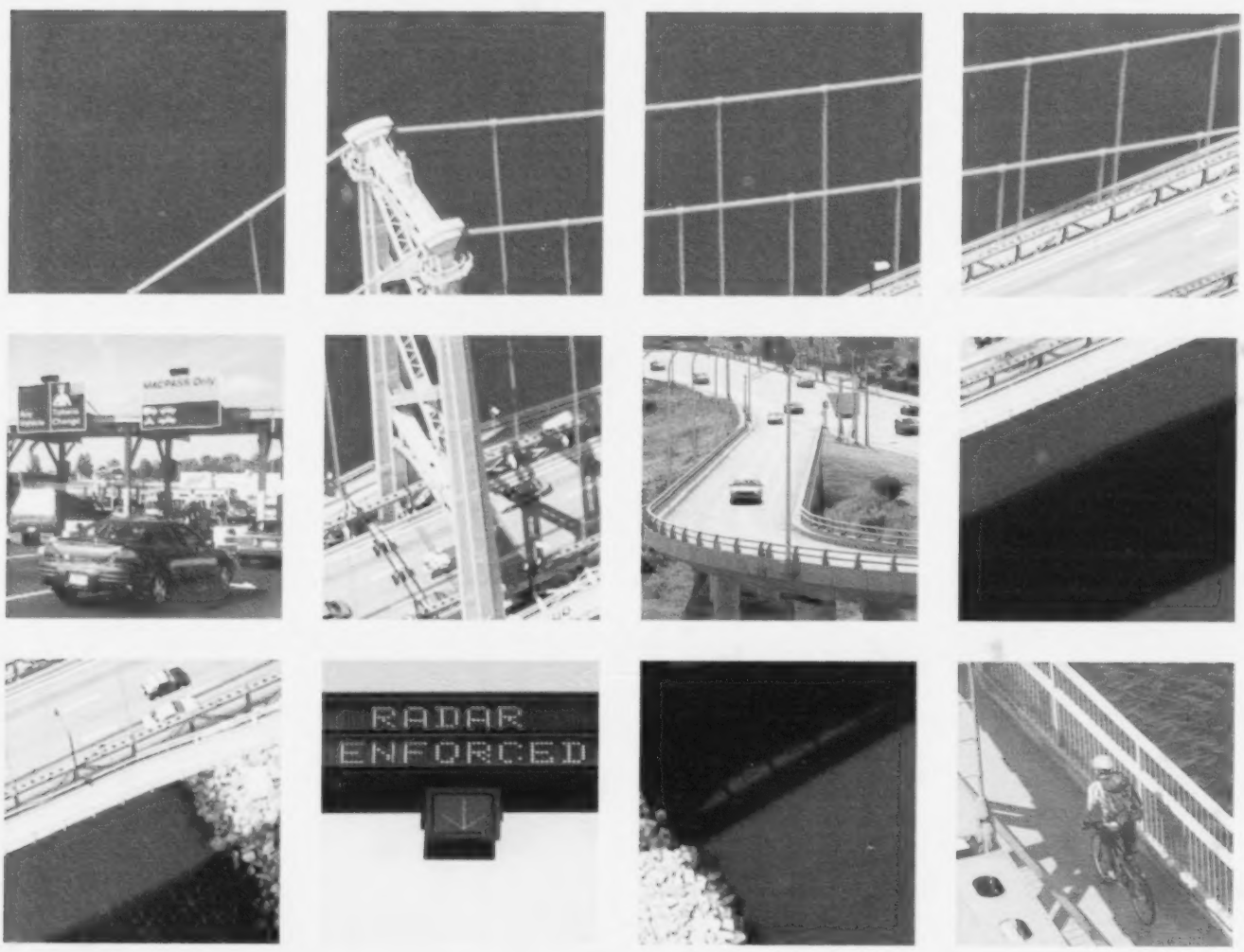
Halifax Harbour Bridges

Annual Report 2009-10

Planning & Partnerships



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Board of Commissioners, 2009-10

Left to right:
Councillor David Hendsbee
Mr. Tom Calkin, *Chair*
Mr. Tim Olive
Mr. Wayne Mason, *Vice Chair*
Councillor Jerry Blumenthal
Councillor Sue Uteck
Mr. Russell Hatton
Mr. Clint Schofield
Councillor Jackie Barkhouse

Message from the Chairman

It is with great pleasure that I submit the Chairman's message for the Halifax Harbour Bridges (HHB) 2009-10 annual report.

THE ANGUS L. MACDONALD and the A. Murray MacKay bridges are tremendous assets to the city, the province and indeed to Atlantic Canada. They are integral links that help drive the economy. I would like to thank the political founder of our organization, Angus L. Macdonald and our first Chair, A. Murray MacKay for their part in bringing such superior transportation links to the region.

These important links are reaching their mid-life. The Macdonald Bridge is 55 years old and the MacKay Bridge turns 40 in 2010. As these structures age, they become more expensive to maintain. For example, we will be redecking the suspended spans of the Macdonald Bridge with on-site work beginning in 2014. The estimated cost of this project is $137 million (2009 dollars). To help us balance the amount of debt we will incur for this project with what we can expect people to pay, we applied to the Nova Scotia Utility and Review Board (NSUARB) for an across the board toll increase in early July of 2010. If approved the increase would be applied sometime in early 2011.

ALTERNATIVE TRANSPORTATION

As a society we use transportation in most interesting ways. Most of us use cars, some use public transit and active transportation is growing in its popularity. At HHB we are concerned that if current growth and traffic trends continue we will be faced with inevitable gridlock. More than a decade ago HHB added a third lane to the Macdonald Bridge and introduced

MACPASS, both which helped relieve congestion. Now we must continue to look for alternative solutions. While outside of our mandate there has been discussion about introducing cordon tolling to entry points of the peninsula of Halifax. While these discussions are very preliminary, HHB has the technology to help manage a cordon tolling system to reduce congestion coming into the peninsula of Halifax and raise money to help fund public transportation.

Efforts have been made to find appropriate alternative transportation solutions and do what we can to delay the need for a third harbour crossing. But I believe future generations will frown on our efforts if we do not secure the corridor where a future third harbour crossing would be located if and when it is needed.

THE BOARD AND MANAGEMENT

HHB reports to the province through the Minister of Finance and as Chairman of the Board of Commissioners, I am the link between the Minister of Finance and other members of the board. I have had the pleasure of working with four ministers of finance and all have been strong supporters of HHB. As a board we have absorbed their visions and acted on their rulings. They and the provincial employees, who work on behalf of the elected officials, should also be thanked for their support.

2009 saw several changes to the board of commissioners. After serving for seven years as a board member, David Covill retired from the board and, sadly, several months later he passed away. David was a professional engineer and had a high degree of integrity and wisdom. He taught us to view maintenance with a high degree of professionalism and his legacy continues today.

Clint Schofield retired from the board after serving for 10 years. Clint is a passionate supporter of the bridges and his community. He brought that positive energy to the board and the HHB committees on which he served.

We welcome Graham Read as a new member of the Board of Commissioners. Graham is a former HRM Councillor and professional engineer. His contributions will be of great benefit to the board.

After 30 years as serving as treasurer for HHB, Ken Munro retired. He served the organization during times of enormous change and saw to it that the financial integrity of HHB matched his own personal integrity. He was our mentor and a friend to the board and to all employees. Upon Ken's retirement Carolyn Feindel was recruited as Chief Financial Officer. As a chartered accountant and certified management accountant, Carolyn has built on the introduction of a new accounting system and has a rigorous approach to financial management.

Steve Snider joined HHB as General Manager and CEO in 1994 and has been a tremendous leader ever since. He has built a team of talented professionals to be fine stewards of the bridges.

Steve is currently the President of the International Bridge Tunnel and Turnpike Association (IBTTA), an international organization of tolling authorities. IBTTA contributes to the tolling industry throughout North America and the world. Steve's IBTTA role is of great benefit to the HHB because he is continuously exposed to world-class best tolling practices for the benefit of all our bridge users.

Steve and a previous board chair, Larry Doane, had the wisdom and vision to add a third lane to the Macdonald Bridge and introduce electronic tolling

Improvements and superior service levels motivate our employees to work hard to ensure your bridges remain two of the best-maintained pieces of infrastructure in the province and that they are operated in a cost effective way.

with MACPASS. Their wisdom and application of best practice technology has allowed a much higher volume of traffic over the bridges to prevent city wide congestion over the past decade.

Since MACPASS was first introduced, Craig Paul, MACPASS and Information Systems Manager, has demonstrated his leadership by conceiving and delivering two rounds of this technology.

Our engineering and maintenance requirements increase each year and Jon Eppell, Bridge Engineer and Maintenance Manager, brings a new level of engineering skill to the HHB team that is focused on rebuilding and refurbishing the bridges.

Our operations department is often seen as being the sole domain of the wonderful work of Commissionaires Nova Scotia. In addition, John Birchall, our Operations Manager has introduced a level of transportation management that is the result of his extensive operational background in the airline industry.

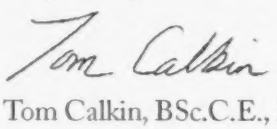
Our vice chair, Wayne Mason, first identified the need for public outreach and better communications. We are fortunate to have entered into the public communications waters under the skillful management of Alison MacDonald.

It has been a year of great accomplishments and great change. Improvements and superior service levels motivate our employees to work hard to ensure your bridges remain two of the best-maintained pieces of infrastructure in the province and that they are operated in a cost effective way.

In summary, I thank our political leaders and organization builders for their foresight in constructing the original bridges. That comment also applies to our past employees and boards who managed the organization over these many decades. I also want to acknowledge the assistance of the Government of Canada by supporting us with a major maintenance contract on the MacKay Bridge. They provided funding of $3.6 million to match our $3.6 million from borrowing and toll revenues, on this critical work. It was recently issued as part of a federal infrastructure development and economic stimulus package for our area.

Finally, I want to acknowledge and extend my appreciation to our current board of commissioners, HHB staff, government officials at all levels, contractors, Commissionaires Nova Scotia, the military and the police for all their work on your behalf.

Respectfully submitted,



Tom Calkin, BSc.C.E., M.B.A., P.Eng., CMC
Chairman of the Board of Commissioners

Message from the General Manager and CEO

LONG TERM PLANNING AND STRONG PARTNERSHIPS play an integral role in Halifax Harbour Bridge's (HHB) ability to provide safe, efficient, reliable passage across the harbour and in our ability to participate as part of the transportation network in the region.

LONG TERM PLANNING

When you are responsible for operating and managing two large suspension bridges that carry over 33 million crossings a year, planning for the future maintenance needs of those structures is critical. This becomes even more important as the structures age.

I am often asked, "What is the life span of the bridges?" Another frequent question is, "When will the bridges be paid for?" The answer to the first question is that the life span of the Macdonald and the MacKay bridges is infinite—as long as they are well maintained. The answer to the second question is that the bridges, as they were built, are paid for—the existing debt represents the cost of keeping them well maintained.

Ensuring their infinite life span is expensive and is the reason why we will likely always have debt. We liken it to renovating a house. The house may be paid-for, but you may have refinanced to pay for the major maintenance projects and improvements.

The same holds true for the bridges. Today we owe $54 million (down from $123 million 10 years ago) and over the last ten years we have spent nearly double that amount on maintenance and capital projects—all through the revenue generated by tolls.

Planning for the future ensures the bridges will be safe for years to come. Our planning takes us 25 years into the future and is revisited to confirm our plans. We are in the planning phase for replacing the suspended spans of the Macdonald Bridge deck at an estimated cost of $137 million (in 2009 dollars). This is the largest project since the MacKay Bridge opened in 1970.

The timing of the Macdonald redecking project takes into consideration the deck replacement of the MacKay Bridge, which is expected to be replaced by 2023/2024.

We take the same long term approach to transportation demand management (TDM) as we do for maintenance and do what we can, within our mandate, to reduce the demand on the harbour bridges.

We focus on minimizing and preventing incidents and accidents from happening and when they do, we clear them as quickly as possible.

Technology plays a key role: large variable message signs on the approach roads to the MacKay Bridge alert commuters of any trouble on the bridges so they can adjust their driving or choose an alternate route if they wish. Also, commuters can sign up to receive traffic alerts on their computer or their cell phone.

We continue to promote our electronic tolling system, MACPASS, as the quickest, most fuel efficient and cost effective way to cross both bridges.

A dedicated bike lane and sidewalk on the Macdonald Bridge encourages active transportation and last but not least, we perform our maintenance program and capital projects outside peak period travel times to minimize the disruption to the traveling public as much as possible. We pay a premium to have large projects take place during evenings and weekends.

PARTNERSHIPS

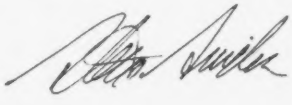
The two bridges represent two of the five major entrances to the peninsula of Halifax making them a major transportation link in the region and HHB an important partner in finding ways to reduce the demand on transportation.

While beyond the mandate of HHB, there are TDM options worthy of full consideration. While they may not be popular, cordon tolling and area wide tolling could make a big difference in reducing congestion and provide a revenue stream to help build a world-class transportation system.

But for these or any other strategies to be effective, what's needed is a coordinated approach with all levels of government working together. The coordination is taking place now.

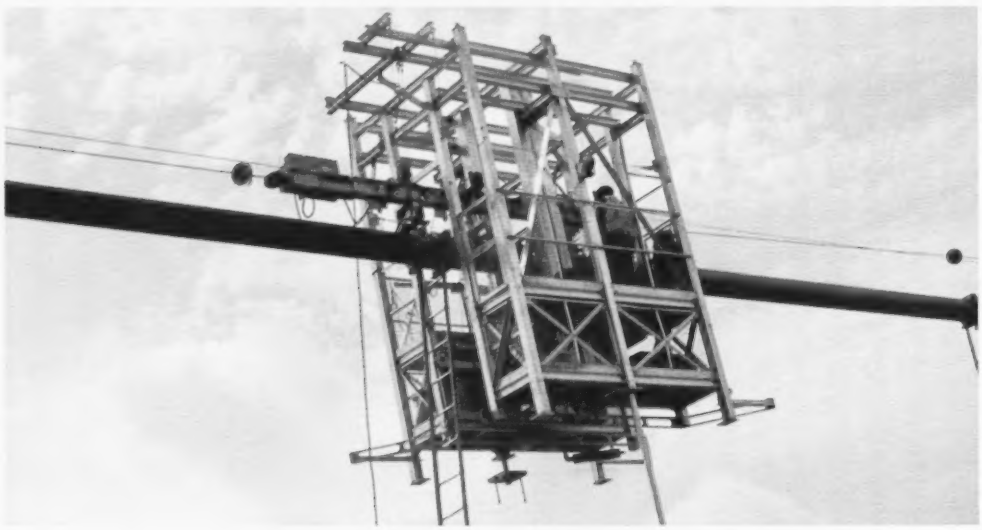
In 2006 the Strategic Joint Regional Transportation Planning Committee (SJRTPC) was formed. Comprised of representatives from various organizations, including HHB, HRM, the Halifax Chamber, Greater Halifax Partnership and the province, this committee reviews, advises and makes recommendations around priorities, strategies and operational plans for the region's transportation network. Regional coordination of transportation projects, working within the framework of the HRM Regional Plan, is essential and continues to be successful under the guidance of this committee.

Our traffic continues to grow at significant rates. At the end of 2009 the number of crossings grew to just over 33 million—600,000 more than the year before. And that was during an economic downturn. There was a time when this type of growth was celebrated because it represented increased revenue and an increase in the economy. Now it causes me great concern because with this amount of traffic even the slightest incident can cause congestion to build rapidly. It's also an indication that if we don't take bold measures to reduce the demand for transportation we will be confronting the reality of building another harbour crossing or sitting in gridlock.



Steven Snider
General Manager and CEO

Maintenance



Objective:
To ensure the bridges are well-maintained and structurally sound.

EACH YEAR THE TWO HARBOUR BRIDGES receive a rigorous inspection to identify any issues at an early stage, schedule proper action and audit performance. The annual inspection forms the basis of the three-year maintenance plan.

HHB diligently plans the numerous construction projects each year well in advance to minimize disruption to the traveling public and to allow flexibility should unexpected issues arise.

The major projects completed in 2009 include:

- Resurfacing of the Macdonald Bridge approach spans
- Installing safety barriers and netting on the Macdonald Bridge
- Replacing stiffeners on the MacKay Bridge approach spans

Much of the maintenance and construction on and around the two bridges is in anticipation of the largest project to take place since the MacKay Bridge was built—replacing the suspended spans of the Macdonald Bridge.

The engineering work for this project is underway and field construction is planned to begin in 2014 and be completed in 2016. The project includes replacing the road deck, floor beams, stiffening trusses and suspender ropes on the suspended spans (where the main cable is above the deck) of the Macdonald Bridge, essentially everything except the towers and main cables.

Efficient Transportation

Objectives: To maintain convenient and reliable passage by working with stakeholders to identify improvements, which will assist future capacity requirements; and to continue to actively market electronic toll collection (MACPASS) to decrease traffic congestion and accommodate future traffic growth.

IN LATE 2009 HHB LAUNCHED a new product in partnership with the Halifax Stanfield International Airport (HSIA). MACPASS *plus* (accounts with automatic replenishment) allows MACPASS customers to pay for short and long-term parking in the parkade at the airport. MACPASS *plus* provides drivers the convenience of reduced wait times, express payment lanes and cashless parking.

Use of MACPASS *plus* has steadily grown with an average of 2,500 transactions per month.

The extended use of the MACPASS program will continue to be a focus for HHB as we look to build on the success of the MACPASS program for other regional mobility applications.

HHB is always looking to reduce congestion and ensure efficient and reliable travel across the two harbour bridges. With this in mind in 2009 HHB commissioned a study to investigate the impact peak period tolling (also known as time of day tolling or congestion pricing) and or one-way tolling might have on reducing congestion.

Preliminary results of the study indicate that the peak period pricing scenarios do not reasonably achieve the goal of managing vehicle demand.

Because there are very few changes that can be made to the existing infrastructure that would increase the capacity of the bridges, over the next several years HHB will continue to investigate the role tolling can play to make crossing the bridges more efficient for the traveling public.

Safety and Emergency Preparedness

Objective: To ensure the safety and security of the traveling public and employees through ongoing reviews and implementation of HHB's policies, procedures and initiatives.

THE TWO HARBOUR BRIDGES are among the safest and best maintained pieces of infrastructure in Nova Scotia. Safety measures include: a wind detection system, mobile speed radar, ice detection sensors, a dedicated 24/7 bridge patrol for traffic control and incident management, cameras and emergency telephones on the Macdonald Bridge and a separate side walk and bicycle lane on the Macdonald Bridge. Incident management and proactive traffic enforcement continues in partnership with the local police departments and the provincial motor vehicle department.

The most recent and most significant addition to incident management took place in the last fiscal year—the addition of six variable message signs (VMS) located on roads leading to the MacKay Bridge. These signs—three in Halifax and three in Dartmouth make commutes easier by displaying information about construction projects, weather condition or vehicle accidents and provide the traveling public with time to choose another route if they wish.

There has also been an increased presence of the bridge patrol, with 24/7 coverage to provide improved incident response capability, traffic enforcement and security, updated emergency response procedures and extensive emergency response training in the procedures.

Corporate Overview

Mission

To provide safe, efficient and reliable passage at an appropriate cost.

Mandate

The Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges—HHB), is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. In accordance with Section 27 of the *Halifax-Dartmouth Bridge Commission Act:*

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

(2) Where the Government of the Province or the Municipality request the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the Commission may

(a) conduct such investigation and studies as it considers advisable respecting

(i) the need or advisability of a transportation project referred to in subsection (1),

(ii) the proper location of any such transportation project,

(iii) the manner or method of financing and operating any such transportation project,

(iv) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,

(v) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;

(b) for the purpose of making investigation and studies, engage expert or technical assistance;

(c) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;

(d) make reports and recommendations to the Government of the Province and the Municipality.

(3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

Organizational Structure

HHB has nine Board members. The Governor in Council appoints five members, including the Chair and Vice-Chair and the Halifax Regional Municipality appoints four Councillors to serve on the Board. The provincial appointees for 2009 were: Mr. Tom Calkin (Chair), Mr. Wayne Mason (Vice Chair), Mr. Russell Hatton, Mr. Tim Olive and Mr. Clint Schofield. Representing Halifax Regional Municipality (HRM) are Councillors Sue Uteck, David Hendsbee, Jackie Barkhouse and Jerry Blumenthal.

Within the board structure there are four standing committees dealing specifically with:

1. Audit
2. Finance, administration and planning
3. Maintenance
4. Operations, communications and MACPASS

HHB employs 35 administrative and maintenance staff on a permanent basis and approximately 50 members of Commissionaires Nova Scotia, on a contract basis. Seasonally HHB employs approximately 40 painters and 12 gardening staff.

The Board of Commissioners recognizes and appreciates the high level of commitment to excellence demonstrated by HHB's permanent and contract employees as well as members of Commissionaires Nova Scotia.

Strategic Goals

To carry out its mission HHB has identified the following strategic goals:

1. Manage the cash flow and debt to meet the future capital and maintenance requirements
2. When requested, advocate HHB's plan to address additional cross-harbour capacity and initiate planning steps to secure the transportation corridor;
3. Communicate HHB's long term strategic plan;
4. Focus on strengthening HHB's relationships with major stakeholders including all who use the bridges;
5. When requested support and advance major tolling projects with the Halifax Regional Municipality and the province of Nova Scotia;
6. Become an industry leader in safety, security and operations;
7. Complete a major six-year maintenance program started in 2006;
8. Become a recognized leader in the pursuit of sustainable transportation demand management solutions; and
9. Increase the percentage of vehicle crossings using MACPASS to 80 per cent.

Management Discussion & Analysis

THE DATE OF THIS MD&A is June 25, 2010.

Halifax Harbour Bridges (HHB) is pleased to present its Management Discussion and Analysis with respect to the three months and twelve months ended March 31, 2010. The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of HHB during the fourth quarter of 2010 relative to 2009 and for the year ended March 31, 2010 relative to 2009. It combines an analysis of trends and year–to–year changes in the results with an outlook to the year ending March 31, 2011.

This discussion and analysis should be read in conjunction with the audited financial statements and supporting notes for the twelve months ended March 31, 2010. HHB reports as a government business enterprise as defined by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

The dollar amounts in this presentation are in thousands and in Canadian dollars.

HHB's web site is www.hdbc.ca.

The Management Discussion and Analysis and the audited financial statements for the twelve months ended March 31, 2010 have been approved by the Audit Committee of HHB and by the Board of Commissioners.

Overview

HHB was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*—Statutes of Nova Scotia, 2005, c.7).

HHB is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

HHB consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chair and Vice Chair, while the Halifax Regional Municipality appoints four Councillors.

HHB reports to the Legislature through the Minister of Finance.

BUSINESS

HHB has operated a two lane bridge, the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 (which now has a reversible third lane opened September, 1999) and a four lane bridge, the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance, repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

COMPETITION

HHB does not face competition in any meaningful sense, as the service it provides is unique.

The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and bicyclists are not permitted on the MacKay Bridge, but pedestrians may walk and bicyclists ride, across the Macdonald Bridge without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the Bridges operated by HHB which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry both pedestrians and bicyclists.

FINANCIAL AFFAIRS

HHB manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally.

HHB is self-supporting financially. It charges tolls to vehicles crossing the bridges and collects additional minor revenue from other utilities which have installed a water line and cables across the bridges.

PUBLIC UTILITY

For certain purposes, HHB is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board (NSUARB).

By the terms of its act of incorporation, HHB is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidences of indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSUARB approval.

SECURITIES REGULATIONS

HHB is no longer a reporting issuer in any jurisdiction and is no longer subject to any of the continuous disclosure obligations of reporting issuers.

Significant Items

2009-10 CHANGE IN FISCAL REPORTING YEAR END

At the request of the Department of Finance, Province of Nova Scotia, HHB has moved to a March 31st year end.

2009-10 INFRASTRUCTURE STIMULUS FUNDING PROJECT (ISF) ($000's)

In early fall of 2009, through the Province of Nova Scotia, HHB applied for and was approved to receive funding towards the A. Murray MacKay Bridge main towers replacement of expansion joints and deck panels, and suspended spans resurfacing. The cost of this project is expected to be $7,400 with ISF funding at 50% of all costs incurred up to a maximum funding of $3,700.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board announced that current Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a government business enterprise we will be required to prepare our March 31, 2012 financial statements, including comparative information, in compliance with IFRS. We are currently assessing the potential impact of the transition to IFRS on our financial statements, disclosures, and broader financial reporting systems and controls. Management expects the transition to IFRS to have a material impact on its property, plant and equipment and is studying this area further.

REVIEW OF YEAR ENDED MARCH 31, 2010

Net & Comprehensive Income / Retained Earnings	Three Months Ended March 31 ($000's)		Twelve Months Ended March 31 ($000's)	
	2010	2009	**2010**	2009
Toll revenue	**$ 5,774**	$ 5,441	**$ 24,251**	$ 23,367
Other rate revenue	**37**	37	**151**	64
Restricted funds investment income	**34**	17	**118**	111
Investment income	**3**	16	**26**	223
Other	**113**	81	**605**	337
Contributed revenue	**-**	50	**-**	2,575
Amortization of deferred capital contribution	**16**	16	**65**	65
Token reserves taken into income	**-**	-	**-**	1,042
Total Revenue	**5,977**	5,658	**25,216**	27,784
Operating expenses	**1,524**	1,344	**5,828**	5,556
Maintenance expenses	**499**	1,748	**3,736**	7,672
Amortization of property, plant and equipment	**1,508**	1,200	**6,295**	4,845
Amortization of deferred transponder charges	**7**	7	**27**	27
Interest long-term debt	**681**	717	**2,865**	3,013
Loss on disposal of property, plant and equipment	**12**	28	**8**	399
Total Expenses	**4,231**	5,044	**18,759**	21,512
Net Income	**1,746**	614	**6,457**	6,272
Unrealized gain (loss) on investments	**(11)**	27	**(31)**	74
Comprehensive Income	**1,735**	641	**6,426**	6,346
Retained Earnings, beginning of year/period	**18,842**	15,259	**15,856**	11,423
Transfer to Restricted Asset Reserves	**(32)**	(44)	**(1,737)**	(1,913)
Retained Earnings, end of year/period	**$ 20,545**	$ 15,856	**$ 20,545**	$ 15,856

Results of Operations ($000's)

HHB's comprehensive income increased by $1,094 to $1,735 in Q4 2010 compared to $641 for the same period in 2009. Comprehensive income for the year ended March 31, 2010 increased by $80 to $6,426 from $6,346 for the same period in 2008/2009. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

Cash on hand for the year ended March 31, 2010 was $3,115 which is held in an interest bearing account. This cash position is down from the March 31, 2009 cash position of $6,355 due to repayment of long term debt.

REVENUES ($000's)

Toll Revenue

Toll Revenue for Q4 2010 increased by $333 to $5,774 from $5,441 for the same period in 2009. Traffic volume for Q4 2010 increased by 445,909 vehicles or 5.85% over for the same period in 2009. Annual toll revenue for 2009/2010 increased by $884 to $24,251 from $23,367 for the same period in 2008/2009.

Annual traffic volume for 2009/2010 was up by 1,203,445 vehicles or 3.72% over the same period in 2008/2009.

Other Rate Revenue

Other rate revenue in Q4 2010 remained consistent with the same period in 2009 at $37. Other rate revenue for the year ended March 31, 2010 increased by $87 to $151 from $64 for the same period in 2008/2009. This increase is attributable to the proration of licence agreement revenue as earned in 2009/2010 versus the full revenue recognition realized during the first quarter of 2008. This rate revenue represents amounts charged to various businesses, utilities and the Halifax Regional Municipality (HRM) for the use of the Macdonald Bridge and the MacKay Bridge to run their cables and a water line from one side of the harbour to the other; a land lease agreement; and payments to HHB for property access licence agreements.

Restricted Funds Investment Income

Investment income on the Capital Fund, Operations and Maintenance (OM) Fund, and Debt Service Fund amounted to $34 in Q4 2010, compared to $17 for the same period in 2009. Annual restricted funds investment income increased by $7 to $118 from $111 for the same period in 2008/2009. This slight increase from prior year reflects the interest generated by a larger amount of investment holdings in the Capital Fund.

Investment Income

Investment income in Q4 2010 decreased by $13 to $3 compared to $16 for the same period in 2009. Investment income for the year ended March 31, 2010 decreased by $197 to $26 in 2009/2010 from $223 for the same period in 2008/2009. This decrease is due to less interest earned on the reduced current account carrying balance and declining interest rates.

Other Revenue

Other revenue in Q4 2010 increased by $32 to $113 compared to $81 for the same period in 2009. Other revenue for the year ended March 31, 2010 increased by $268 to $605 in 2009/2010 from $337 for the same period in 2008/2009. This increase is attributable to unclaimed transponder deposits on closed MACPASS accounts taken into income and monies received from the disposal of the tokens.

Contributed Revenue

Contributed revenue decreased by the total original transfer of $2,575 from the Province of Nova Scotia that was recognized in 2009.

Amortization of Deferred Capital Contribution

Amortization of deferred capital contribution in the amount of $16 for Q4 2010 remained consistent with the same period in 2009. Amortization in the amount of $65 for the year ended March 31, 2010 remained consistent with the same period in 2008/2009. This amortization applies to the Victoria Road Interchange asset that was transferred from the Province of Nova Scotia in 2008/2009.

Token Reserves Taken Into Income

Balances remaining in the five token reserve accounts totaling $1,042 were taken into income during the twelve months ending March 31, 2009 as they were no longer accepted as a method of payment for tolls.

Total Revenue

The above noted revenue changes resulted in an increase in total revenue during Q4 2010 of $319 compared to the same period in 2009 and a decrease in total annual revenue of $2,568 to $25,216 in 2009/2010 from $27,784 for the same period in 2008/2009. This annual decline is due to the changes in contributed revenue and token reserves. Total revenue, excluding the impact of the contributed revenue and tokens, shows an increase of $1,049 over the prior year.

Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST/GST it expends on goods and services.

Revenue Outlook

Toll revenues are expected to increase in 2010/2011 as compared to the same period for 2009/2010.

- Other rate charges in 2010/2011 are expected to remain consistent with the same period for 2009/2010.
- Investment income will increase in 2010/2011 as compared to the same period for 2009/2010 due to increased holdings in our restricted assets Capital Fund.
- Other income is expected to decrease in 2010/2011 as compared to the same period for 2009/2010 due to the unique revenue items recognized in 2009/2010.
- Amortization of deferred capital contribution in 2010/2011 will remain consistent with the same period for 2009/2010.

EXPENSES ($000's)

Operating and Maintenance Charges (OM)

Operating expenses in Q4 2010 increased by $180 compared to the same period in 2009. Annual operating expenses increased by $272 to $5,828 in 2009/2010 from $5,556 for the same period in 2008/2009. The major operating expenses that increased in 2009/2010 were: professional fees $163; MACPASS operations $118; office, general, sundry $87; operations $36. The increase in MACPASS operations relates to bank charges associated with increased credit card type transactions, maintenance of the toll system and the write-off of inactive account balances. The increase in professional fees is due to ongoing traffic studies, corporate legal matters and staff training. The following operating expenses decreased during 2009/2010 as compared to the same period in 2008/2009: salaries $92; telecommunications $21; public relations $17; and property taxes $13. The decrease in salaries is due to decreased MACPASS staff hours.

Maintenance expenses decreased by $1,249 in Q4 2010 compared to the same period in 2009. Annual maintenance expenses decreased by $3,936 to $3,736 in 2009/2010 from $7,672 for the same period in 2008/2009. The significant decrease in bridge maintenance is attributable to the Victoria Road Interchange maintenance project expenses that occurred during the year ended March 31, 2009.

Amortization of Property, Plant and Equipment

Amortization (depreciation) of property, plant and equipment for Q4 2010 increased by $308 compared to the same period in 2009. Overall amortization of property, plant and equipment increased by $1,450 to $6,295 in 2009/2010 compared to $4,845 for the same period in 2008/2009. This increase is attributable to the completion of projects, the addition of the Victoria Road Interchange and the accelerated amortization required to write down the portion of the Angus L. Macdonald bridge deck that will be replaced in 2015/2016.

Amortization of Deferred Transponder Charges

Amortization of deferred transponder charges in Q4 2010 remained consistent with the charges for 2009 at $7. Annual amortization of deferred transponder charges for 2009/2010 remained consistent with the charges for the same period in 2008/2009 at $27 (see Notes to Financial Statements #9).

Interest on Long Term Debt

An interest expense in the amount of $681 was realized for Q4 2010 compared to $717 for the same period in 2009. Annual interest on long term debt decreased by $148 to $2,865 for 2009/2010 as compared to $3,013 for the same period in 2008/2009. This decrease is attributable to the annual installment payment of $3,000 thereby reducing the long term debt base used in calculating the annual interest cost.

Loss on Disposal of Property, Plant and Equipment

HHB recognized an overall loss on the disposal of property, plant and equipment for the year ending March 31, 2010 in the amount of $8 which is associated with the disposal of three bridge vehicles.

Unrealized Gain (Loss) on Investments

HHB recognized an unrealized loss of $11 for Q4 2010 as compared to an unrealized gain of $27 for the same period in 2009. HHB has an unrealized loss of $31 for the year ended March 31, 2010 as compared to an unrealized gain of $74 for the same period in 2008/2009. The unrealized loss on investments for is due to lower market values in 2009/2010 compared to the same period in 2008/2009. These gains or losses reflect the difference between the investment asset book value and the fair market value and is in accordance with accounting standards in the classification of financial assets.

Expense Outlook

OM expenses are expected to increase in 2010/2011 over the same period for 2009/2010 due to preparation for maintenance projects, communication strategies, toll system maintenance, and professional fees.

Amortization of property, plant and equipment is expected to increase in 2010/2011 from the amount recorded the same period for 2009/2010 due to the completion of major budgeted capital asset purchases and new budgeted capital projects and purchases in 2010/2011 along with the acceleration in the amortization required to write down the portion of the Angus L. Macdonald bridge deck that will be replaced in 2015/2016.

Interest expense for 2010/2011 will decrease as compared to the same period for 2009/2010 due to the continuing repayment of the Province of Nova Scotia long term loan.

Transfer to Restricted Assets ($000's)

As required by the terms of the new $60,000 long term loan agreement with the Province of Nova Scotia, dated July 25, 2007, HHB has established two reserve funds effective December 4, 2007: the OM Fund at $2,597, which is equal to at least 25% of annual OM expenses budgeted for the following year, and a Debt Service Fund at $1,380, which is equal to at least 50% of annual interest payments budgeted for the following year on the outstanding loan balance. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of retained earnings on the Statement of Income, Comprehensive Income and Retained Earnings. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the long term loan agreement.

Under the terms of the long term loan agreement, HHB is required to establish and deposit approximately $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan.

Appropriation to Restricted Assets Outlook

Under the terms of the long term loan agreement, HHB will maintain and contribute to the Capital Fund, OM Fund and Debt Service Fund as required for 2010/2011.

Net Income Outlook

- Revenue for 2010/2011 is expected to increase slightly compared to the same period for 2009/2010.
- Expenses for 2010/2011 are expected to increase compared to the same period for 2009/2010.
- Overall, it is expected that net income for 2010/2011 will decrease from the same period for 2009/2010.

Summary of Quarterly Reports ($000's)

	Q4	**Q3**	**Q2**	**Q1**	Q5	Q4	Q3	Q2
For the Quarter Ended	**Mar 31/10**	**Dec 31/09**	**Sep 30/09**	**Jun 30/09**	Mar 31/09	Dec 31/08	Sep 30/08	Jun 30/08
Total Revenues	**$5,977**	**$6,526**	**$6,383**	**$6,334**	$5,658	$6,036	$7,248	$8,843
Comprehensive Income	**$1,735**	**$2,184**	**$1,290**	**$1,478**	$641	($437)	$1,704	$4,438

Quarterly total revenues remained fairly consistent over six of the last eight quarters. Q2 2008 includes the $2,575 received from the Province of Nova Scotia for repairs to the infrastructure known as the Victoria Road Interchange (VRI) and Q3 2008 includes the revenue realized from the token reserves taken into income in the amount of $1,042.

Fluctuations in the comprehensive income quarterly results is indicative of the timing of various maintenance projects throughout the last eight quarters and the noted drop in Q4 of 2008 for the interest expense associated with the long term refinancing agreement for $60,000 with the Province of Nova Scotia and the increased maintenance expenses on the VRI during that period. The increase in comprehensive income for Q3 2009 is due to significantly lower maintenance expenses during this quarter.

HHB is a non-share entity incorporated by the Province of Nova Scotia. HHB has never paid a dividend.

Balance Sheet ($000's)

	At March 31 **2010**	At March 31 2009
Total Assets	**$89,571**	$87,544
Total Long (Short) Term Liabilities	**$61,296**	$65,695

Total assets increased by $2,027 for the year ended March 31, 2010 over the same period in 2008/2009 due to the increases in cash reserves in Restricted Assets and fixed asset additions.

The short term debt component of Total Liabilities for March 31, 2009 consists of $3,000 which is the current principal amount due on December 4th of each year on the $54,000 (March 31, 2009, $57,000) outstanding long term debt with the Province of Nova Scotia. The long term debt agreement, which was made with the Province of Nova Scotia on July 25, 2007, has a final maturity date of December 4, 2019 and bears an average annual interest rate of 5.13%.

Liquidity ($000's)

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the audited financial statements, which indicates a negative cash flow for the year ended March 31 2010 of $3,240 compared to a negative cash flow of $2,876 for the year ended March 31, 2009.

Operating Activities

HHB's operating activities generated $11,343 in positive cash flow for the year ended March 31, 2010 compared to a $11,175 positive cash flow for the twelve months ending March 31, 2009. Continued positive cash flow from operations is anticipated for 2010/2011.

Investing Activities

HHB incurred capital expenditures of $9,770 (net of government assistance) for the year ended March 31, 2010, down slightly from $9,894 for the same twelve month period ending March 31, 2009.

HHB invested $1,871 in the Capital Fund during the year ended March 31, 2010, as per the terms of the refinancing agreement with the Province of Nova Scotia. Investments in the OM Fund and Debt Service Fund are also in accordance with the investing requirements pursuant to the terms of the refinancing agreement with the Province of Nova Scotia.

HHB recognized a decrease in the accrued employee future benefits liability of $51 for the year ended March 31, 2010 (see Notes to Financial Statements #13).

Financing Activities

HHB repaid the current portion of the long term debt of $3,000 to the Province of Nova Scotia on December 4, 2009 and December 4, 2008, respectively.

Capital Resources ($000's)

HHB's capital requirements budget for 2010/2011 is estimated at approximately $16,623 and encompasses major expenditures such as: $6,400 on MacKay Bridge for replacement of the expansion joints and deck panels, and resurfacing; $2,150 on Macdonald Bridge for the suspended spans re-decking lead work; $3,000 for the security upgrade project; $590 on MacKay Bridge for truss bearings and expansion joints at the cable bents; various other MacKay Bridge projects such as $750 for median jersey barrier, $235 for anchorage concrete cap, $220 for strain gauge structural improvements, $200 for guardrail and crash attenuators, and $200 to rehabilitate traction rods; $575 for transponder inventory; $550 on Macdonald Bridge centre lane control hardware; and $580 for various building renovations.

Related Party Transactions ($000's)

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia.

On July 25, 2007, HHB entered into a refinancing loan agreement for $60,000 with the Province of Nova Scotia. HHB accrued interest on the long term debt at March 31, 2010 in the amount of $885.

Financial Instruments

Fair Value of Financial Instruments

Financial instruments consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and short term and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and long term debt, as disclosed in Notes to Financial Statements #6 and #7 respectively.

Interest Rate Risk

The market value of restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Notes to Financial Statements #6. HHB is exposed to interest rate cash flow risk on the Line of Credit with the Province of Nova Scotia, as the interest rate is a floating rate that is reset quarterly as market rates change. However, there have been no advances on the Line of Credit with the Province of Nova Scotia as of March 31, 2010.

Audited Financial Statements

BALANCE SHEET ($000's)

For years ended March 31	2010	2009
Assets		
Current:		
Cash (note 2(e))	$ 3,115	$ 6,355
Receivables		
Trade	319	101
Accrued interest	1	88
Recoverable HST (note 4)	250	297
Prepaid expenses	158	146
Current Assets	3,843	6,987
Restricted Assets (note 6)		
Capital Fund	3,753	1,913
OM Fund	2,597	2,550
Debt Service Fund	1,380	1,530
Total Restricted Assets	7,730	5,993
Total Current and Restricted Assets	11,573	12,980
Deferred transponder charges net of accumulated amortization of $449 (March 31, 2009, $422) (note 9(b))	208	235
Property, plant and equipment (note 5)	77,790	74,329
TOTAL ASSETS	$89,571	$87,544
Liabilities		
Current:		
Payables and accruals, trade	$ 2,957	$ 4,077
Project holdbacks payable	890	953
Refundable customer transponder amounts (note 9(a))	26	187
Deferred revenue (note 2(b)(i))	2,623	2,569
Current portion unearned revenue	83	84
Current portion of long term debt (note 7)	3,000	3,000
Total Current Liabilities	9,579	10,870
Deferred capital contribution (note 2(b)(ii))	519	584
Accrued employee future benefits (note 13)	148	189
Unearned revenue	50	52
Long term debt (note 7)	51,000	54,000
TOTAL LIABILITIES	61,296	65,695
Equity		
Reserve for restricted assets (note 6)	7,730	5,993
Retained earnings	20,545	15,856
TOTAL EQUITY	28,275	21,849
TOTAL LIABILITIES AND EQUITY	$89,571	$87,544

On behalf of the Board

Tom Calkin, *Chair* Wayne Mason, *Vice Chair*

STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS ($000's)

For years ended March 31	**2010**	2009
Revenue		
Toll revenue (note 2(b)(i))	**$24,251**	$23,367
Other rate revenue	**151**	64
Investment and sundry income		
Restricted funds investment income	**118**	111
Investment income	**26**	223
Other	**605**	337
Contributed revenue	**-**	2,575
Amortization of deferred capital contribution (note 2(b)(ii))	**65**	65
Token reserves taken into income	**-**	1,042
Total Revenue	**25,216**	27,784
Expenses		
Operating expenses	**5,828**	5,556
Maintenance expenses	**3,736**	7,672
Amortization of property, plant and equipment	**6,295**	4,845
Amortization of deferred transponder charges	**27**	27
Interest on long-term debt	**2,865**	3,013
Loss on disposal of property, plant and equipment	**8**	399
Total Expenses	**18,759**	21,512
Net Income	**6,457**	6,272
Other Comprehensive Income		
Unrealized gain (loss) on investments	**(31)**	74
Comprehensive Income	**6,426**	6,346
Retained Earnings, beginning of year	**15,856**	11,423
Transfer to Restricted Asset Reserves (note 6)	**(1,737)**	(1,913)
Retained Earnings, end of year	**$20,545**	$15,856

STATEMENT OF CASH FLOWS ($000's)

For years ended March 31	**2010**	2009
Operating Activities		
Comprehensive income	**$ 6,426**	$ 6,346
Amortization of property, plant and equipment	**6,295**	4,845
Amortization of deferred transponder charges	**27**	27
Unearned revenue	**1**	81
Unrealized loss (gain) on investments	**31**	(74)
Amortization of deferred capital contribution	**(65)**	(65)
Loss on disposal of property, plant and equipment	**8**	399
	12,723	11,559
Net change in non-cash working capital balances (note 8)	**(1,380)**	(384)
	11,343	11,175
Investing Activities		
Purchase of property, plant and equipment	**(9,964)**	(9,894)
Government assistance	**194**	-
Proceeds from disposal of property, plant and equipment	**6**	10
Investment in Capital Fund	**(1,871)**	(1,839)
Investment in OM Fund	**(47)**	-
Investment in Debt Service Fund	**150**	-
Increase (decrease) in accrued employee future benefits liability (note 13)	**(41)**	23
	(11,573)	(11,700)
Financing Activities		
Long term debt installment payment	**(3,000)**	(3,000)
Land transfer NBV from Province of Nova Scotia	**-**	649
	(3,000)	(2,351)
Decrease in cash during year	**(3,240)**	(2,876)
Cash, beginning of year	**6,355**	9,231
Cash, end of year	**$ 3,115**	$ 6,355

Notes to Financial Statements

1. INCORPORATION

The Halifax-Dartmouth Bridge Commission, operating as Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*—Statutes of Nova Scotia, 2005, c.7).

HHB is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act,* Section 27 (1)—With the approval of the Governor in Council, HHB may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Halifax Regional Municipality may request HHB to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act,* Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act,* Section 27 (3)—Any costs incurred by HHB under this Section are expenses of operating the Bridges or a transportation project in respect of which HHB is collecting tolls, fees, rates and other charges.

2. SIGNIFICANT ACCOUNTING POLICIES ($000's)

a) Basis of financial statement presentation

HHB, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use Canadian generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

i) HHB recognizes revenue at the time a vehicle crosses a bridge. Bridge toll rates are regulated by the Nova Scotia Utility and Review Board (NSUARB). Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

ii) Contributed capital contributions are deferred and recognized into revenue on a basis consistent with the capital asset's related amortization.

c) Government grants

Stimulus funding from Infrastructure Canada is accrued as earned and recorded as a reduction in the capital cost of the related asset.

d) Amortization of property, plant and equipment

HHB uses the full straight line (s.l.) method for calculating amortization on all assets, at rates based on the useful life as indicated in Note 5. Amortization commences in the year an asset is put in use. HHB periodically updates the estimated remaining useful life of the bridges based on consultation with external consulting engineers.

e) Cash

Cash consists of funds held in the current bank account and cash on hand. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Financial instruments

HHB classifies its financial instruments as follows:

Cash, the OM Fund, Debt Service Fund and Capital Fund are classified as assets held for trading and are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income in the period during which the change occurs as unrealized gain or loss. Transaction costs are expensed when incurred.

Receivables are classified as loans and receivables and payables and long term debt as other financial liabilities. These instruments are deemed to have been issued at prevailing market interest rates at the date of advance, accordingly no adjustment for fair value has been recorded.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Management makes significant estimates as to the remaining life of the bridges and bridge components. Such estimates could vary materially from actual experience.

3. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board announced that current Canadian Generally Accepted Accounting Principals (GAAP) for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a government business enterprise we will be required to prepare our March 31, 2012 financial statements, including comparative information, in compliance with IFRS. We are currently assessing the potential impact of the transition to IFRS on our financial statements,

disclosures, and broader financial reporting systems and controls. Management expects the transition to IFRS to have a material impact on its property, plant and equipment and is studying this area further.

4. HARMONIZED SALES TAX (HST) AND INCOME TAX STATUS

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

5. PROPERTY, PLANT AND EQUIPMENT ($000's)

	2010				2009
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 5,735	$ -	$ 5,735	$ 5,735
Buildings	5 to 40 yrs	3,642	1,845	1,797	1,828
Bridge and bridge components					
Angus L. Macdonald	5 to 85 yrs	70,361	30,812	39,549	39,673
A. Murray MacKay	5 to 80 yrs	35,060	17,110	17,950	15,977
Electronic toll transponders	Dec. 31, 2017	3,417	1,473	1,944	1,997
Other assets	2 to 5 yrs	5,844	1,832	4,012	238
IT computers and other equipment	5 to 25 yrs	9,129	2,780	6,349	8,490
Mobile equipment	5 to 10 yrs	1,382	928	454	391
		$134,570	$56,780	$77,790	$74,329

Differences between Net Book Values between March 31, 2009 and March 31, 2010 are due to a reclassification of the assets.
Of the above amounts, $4,722 represents projects that are in progress as at March 31, 2010 and are not currently being amortized.
The increase in amortization over prior year is due to a change in the useful life of the Angus L. Macdonald suspended span.

6. RESTRICTED ASSETS ($000's)

HHB entered into a long term loan agreement with the Province of Nova Scotia on July 25, 2007. This agreement requires that HHB maintain two reserve funds effective December 4, 2007 which are the OM Fund and Debt Service Fund and effective June 4, 2008, a Capital Fund was also established.

Under the terms of the loan agreement, the OM Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the unrestricted accounts. At March 31, 2010 the OM Fund was held in a GIC with a rate of 0.65%, maturing September 30, 2010 and had a market value of $2,597.

Under the terms of the loan agreement, the Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness. This fund can only be used to pay principal, interest, and fees, although any amount in the fund in excess of the required balance can be transferred to the unrestricted accounts. At March 31, 2010 the Debt Service Fund was held in a GIC with a rate of 0.65%, maturing September 30, 2010 and had a market value of $1,380.

Under the terms of the loan agreement, HHB established and deposited $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan. This fund can only be used to pay amounts owing in respect of the principal or interest on the long term loan, or for the maintenance of, or improvements to, the bridges. At March 31, 2010, the Capital Fund had a market value of $3,753 and was invested in various provincial bonds maturing in 2013 and 2014 with annual yields of 3.99% to 10.00%.

7. LONG TERM DEBT ($000's)

	2010	2009
Total debt outstanding at April 1:	**$57,000**	$57,000
Long Term Loan Agreement with the Province of Nova Scotia on July 25, 2007 with a final maturity date of December 4, 2019. The agreement requires eleven consecutive annual installments of $3,000 commencing with an installment payment on December 4, 2008 and for each year thereafter with the final principal repayment amount of $27,000 along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. Interest is payable semi-annually with the first interest payment due on December 4, 2007 and on June 4th and December 4th each year thereafter. The average interest rate over the 12-year period is 5.13%.		
Debt repaid during the year:	**(3,000)**	-
Total Debt Outstanding:	**$54,000**	$57,000
Less: Principal debt maturing within one year:	**(3,000)**	(3,000)
Total Long Term Debt:	**$51,000**	$54,000

8. NET CHANGE IN NON-CASH OPERATING BALANCES ($000's)

	2010	2009
Increase (decrease) in cash from changes in:		
Receivables	$ (84)	$ 73
Prepaid expenses	(12)	157
Payables and accruals	(1,177)	241
Customer transponder amounts	(161)	(1)
Deferred revenue	54	(84)
Total Long Term Debt:	$(1,380)	$386

9. TRANSPONDERS ($000's)

a) HHB has recorded a liability for all deposits received on the issue of transponders to customers. In accordance with the NSUARB ruling on January 22, 2007, the MACPASS transponder deposit requirement was removed and existing transponder deposits were refunded to customers' accounts by February 29, 2008 for those accounts meeting the criteria for the refund.

b) The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see Note 5). In both cases, the transponders are being amortized on a straight-line basis to December 31, 2017.

10. FINANCIAL INSTRUMENTS ($000's)

a) Credit facilities

HHB has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at March 31, 2010, no advances were outstanding. HHB has a $60,000 revolving, unsecured credit facility with the Province of Nova Scotia which bears a rate of interest equal to the arithmetical average of the discount rates for Bankers' Acceptances applicable on the date of the requested advance. As at March 31, 2010, no advances were outstanding.

b) Fair value of financial instruments

Financial instruments consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values.

c) Credit risk management

HHB provides credit to its customers in the normal course of its operations. In order to reduce its credit risk, HHB has adopted credit policies including the monitoring of its customer accounts. HHB does not have a significant exposure to any individual customer or counterpart.

d) Interest rate risk

The long term debt bears fixed interest rates. Consequently, the long term debt risk exposure is minimal.

e) Capital management

HHB's objective when managing capital is to ensure there is adequate cash flow on hand to meet operational and capital expenditure requirements. HHB regularly reviews its projected future toll revenues in conjunction with its current cash position and borrowing ability in order to finance significant future projects that are required to upgrade and maintain its capital assets.

11. RELATED PARTY TRANSACTIONS ($000's)

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia.

On July 25, 2007, HHB entered into a refinancing loan agreement for $60,000 with the Province of Nova Scotia.

HHB accrued interest on the long term debt for the period ending March 31, 2010 in the amount of $885.

12. PENSION PLAN ($000's)

HHB sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at March 31, 2010. HHB recognized an expense of $107 representing a 6% pension contribution for the year ending March 31, 2010 ($110 for 2008-2009).

13. ACCRUED EMPLOYEE FUTURE BENEFITS ($000's)

Canadian generally accepted accounting principles require entities to accrue all employee future benefits. HHB's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. HHB has recorded a liability of $148 in retirement benefits at March 31, 2010 (Mar. 31, 2009, $199). A total of <$51> was allocated to administrative, maintenance and MACPASS expenses for the year.

HHB's retiring allowance program is unfunded and benefits are based on length of service and final earnings, as per the criteria described in the preceding paragraph.

A summary of principal retirement allowance benefits expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461, for the current fiscal year follows. Actuarial measurements are as of March 31, 2010. This is the first year for actuarial measurements for retirement allowance benefits.

	2010
Components of Net Periodic Benefit Cost	
Current service cost	$ 6
Interest cost	10
Actuarial loss (gain) on accrued benefit obligation	31
Gain at beginning of period to adjust March 31, 2009 benefit obligation	(41)
Costs arising in the period	$ 6
Differences between costs arising in the period and costs recognized in the period in respect of:	
Actuarial loss (gain)	-
Net periodic benefit cost recognized	$ 6

	2010
Weighted-Average Assumptions for Expense	
Discount rate	7.30%
Rate of compensation increase	1.00% for 2 yrs, 2.50% thereafter

	2010
Weighted-Average Assumptions for Disclosure	
Discount rate	5.50%
Rate of compensation increase	1.00% for 2 yrs, 2.50% thereafter

	2010
Changes in Accrued Benefit Obligation	
Accrued benefit obligation at end of prior year	$ 189
Gain at beginning of period	(41)
Current service cost	6
Interest cost	10
Benefits paid	(47)
Actuarial loss (gain)	31
Accrued benefit obligation at end of period	$ 148

	2010
Reconciliation of Funded Status to Accrued Benefit Asset (Liability)	
Excess (Deficit) at end of year	$(148)
Unamortized net actuarial loss (gain)	-
Accrued benefit asset (liability)	$(148)

14. COMPARATIVE FIGURES

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

The comparative numbers are for the twelve months ended March 31, 2009. The prior year audited financial statements were for the three months ended March 31, 2009 due to a change in fiscal year from December 31 to March 31. The twelve month numbers are presented to provide the user with meaningful comparative information.

15. FEDERAL INFRASTRUCTURE STIMULUS FUNDING (ISF) ($000's)

In early fall of 2009, through the Province of Nova Scotia, HHB applied for and was approved to receive funding towards the A. Murray MacKay Bridge main towers replacement of expansion joints and deck panels, and suspended spans resurfacing.

As of March 31, 2010, progress claims submitted to ISF in the amount of $194 were outstanding and applied as an offset against capital costs incurred. The cost of the project is expected to be $7,400 with ISF funding 50% of all costs incurred up to maximum funding of $3,700. In order to be eligible for funding, the project must be completed by March 31, 2011.

We welcome your comments on the 2009-10 Annual Report

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